



1 Pipeline Corporation (“SCPC”). In 1994 I was promoted to Manager of SCPC’s  
2 accounting department and in 1997 I was promoted to the position of Controller  
3 for that Company. In 1998 I accepted the position of SCE&G’s Assistant  
4 Controller - Electric Generation and in 1999 was promoted to Assistant Controller  
5 - SCE&G. Effective in 2002, my responsibilities as Assistant Controller were  
6 increased to include all SCANA regulated subsidiaries. I am currently a member  
7 of the American Institute of Certified Public Accountants and the South Carolina  
8 Association of Certified Public Accountants.

9 **Q. HAVE YOU PREVIOUSLY OFFERED TESTIMONY IN REGULATORY**  
10 **PROCEEDINGS?**

11 A. Yes. I have testified before the Public Service Commission of South  
12 Carolina (the “Commission”) in several past proceedings.

13 **Q. HAVE YOU FILED DIRECT TESTIMONY IN THIS DOCKET?**

14 A. No.

15 **Q. PLEASE DESCRIBE THE SCOPE OF THE REBUTTAL TESTIMONY**  
16 **YOU ARE PRESENTING.**

17 A. My rebuttal testimony responds to an accounting issue raised in the direct  
18 testimony filed by South Carolina Energy Users Committee Witness Kevin  
19 O’Donnell. Specifically, on page 10 of Mr. O’Donnell’s testimony, beginning on  
20 line 12, he recommends “the Commission require SCE&G, in future fuel  
21 proceeding, to file its fuel cases using all three accounting procedures. With the  
22 information in-hand, the Commission can then choose, if it so deems appropriate,

1 to blunt large variations in prices by choosing an accounting method other than  
2 the average cost method employed by the Company in this proceeding.”

3 **Q. DOES THE COMPANY USE THE WEIGHTED AVERAGE METHOD**  
4 **OF PRICING ITS INVENTORY USED IN THE PRODUCTION OF**  
5 **ELECTRICITY?**

6 A. Yes it does. The Company has consistently used the weighted average  
7 method of pricing for its fuel inventory, as well as all other inventories, for at least  
8 the last twenty-five years.

9 **Q. WHAT IS SCE&G’S POSITION REGARDING MR. O’DONNELL’S**  
10 **RECOMMENDATION AND WHY?**

11 A. SCE&G strongly opposes the recommendation that Mr. O’Donnell  
12 advances related to the pricing of the fuel inventory used in its generation of  
13 electricity for two primary reasons. First, Mr. O’Donnell’s proposal to flip-flop  
14 among inventory pricing methods should be rejected because our customers  
15 would be harmed in the long-run. The result of this imprudent accounting  
16 treatment would be that costs to current customers would be reclassified to the  
17 Company’s rate base investment in fuel inventory which would permanently  
18 increase the associated revenue requirements under the cost of service component  
19 of the electric rates. In summary, the rate base would continually increase and  
20 higher cost would continually accrue to our customers, with no downward  
21 adjustment as is possible with the average pricing methodology, which fairly  
22 assigns and recovers the cost today.

1           Secondly, while I understand that Mr. O'Donnell is not an accountant or  
2           CPA, his proposal to adopt different pricing methodologies from period-to-period  
3           violates one of the most basic accounting concepts underlying Generally  
4           Accepted Accounting Principles ("GAAP"). As a Securities and Exchange  
5           Commission ("SEC") registrant, the Company is required to comply with GAAP.  
6           Under GAAP, entities are required to apply accounting methodologies  
7           consistently from year-to-year. A practice of flip-flopping between various  
8           inventory pricing methodologies would be viewed as manipulating earnings and  
9           inflating or overstating the entities assets, and hence prohibited by accounting  
10          standards. Consequently, Mr. O'Donnell's recommendation should be rejected  
11          for the additional and important reason that it violates GAAP. In summary,  
12          SCE&G's fuel inventory is priced at average unit prices because this method is  
13          objective, fair, not subject to manipulation, simple to apply and consistent with  
14          GAAP. We therefore urge the Commission to continue to approve the weighted  
15          average pricing methodology for accounting for SCE&G's fuel inventory, which  
16          would provide for the consistent application of accounting principles that has  
17          been approved by this Commission for over twenty-five years.

18   **Q.   DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19   **A.   Yes.**